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## Why Should the Corporate Sector Embrace CSR?

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### **Abstract:**

*CSR has been in vogue for many years now and, in India, in recent years the government has brought in changes to the company law to enforce spending on CSR. Is this something desirable, and will it drive the actions that are sought to be undertaken? What are the ramifications of the CSR movement and how can companies participate? More fundamentally why should companies care for CSR? What could be the underlying deep rooted connection between CSR and business that makes this movement a natural fit in well run, sustainable businesses? Some historical perspectives are brought into focus to enable the corporate sector to take CSR to heart, understand its power to generate sustainability and goodwill in the stakeholder forums and, finally, make CSR an integrated part of day to day work. Some examples from Indian companies are also cited to reinforce the concepts.*

### **1. What is CSR?**

CSR has come to represent the set of activities that typically companies perform as a part of their corporate business. These activities are neither compulsory nor mandated – their type, intensity, money value are not specified. However, more and more countries are encouraging their corporate sector to include these activities as a part of their day to day business. These typically include programs to alleviate poverty, undertake voluntary work in social communities for their up-liftment, social charity and philanthropy, development of communities through monetary and other support, building of socially useful structures like bus shelters, public toilets, rest houses, parks, and other public utility spaces which can be used by economically weaker sections of society for their welfare activities and recreation.

Conceptually CSR got a big boost when the UNEP, along with the GRI ( Global Reporting Initiative ), declared the TBL – Triple Bottom Line initiative and urged companies to adopt TBL( see figure 1 ) and describe the same in their annual reports. Subsequent to this environmental, economic and social concerns found a basis for an integrated approach. The TBL provided some action guidelines for adopting CSR in the corporate sector.



Figure 1: The concept of the Triple Bottom Line

#### *1.1. A Historical Perspective on CSR*

In the late 1800's the great Indian businessman Jamshedji Tata (R.M. Lala, 2004) foresaw the need for industry to be socially relevant. He envisioned a future for his companies which would be built around the concept of the classic "vasudaiva kutumbakam", that is, an

integrated-world where there is peace and prosperity, hand-in-hand, unlike the present where prosperity for some means necessarily war for some others.

Whereas the businesses in the west were developed based on a foundation of competition enabling development of new products, processes, goods and services to serve the ever increasing human needs, Jamshedji saw the other side – where business became a part of the evolving society, and worked in an integrated manner to not only meet and serve the needs, but also become a partner /driver of change in the society of which it is inevitably a part. He philosophised that the very existence of a company is incumbent upon the premise that the company feeds and is fed by the society around it.

While the industrial revolution which revved up in Great Britain with the power of the steam engine began the global drive towards a new machine age, scientists and inventors like Newton, Edison, Marconi, Niels Bohr, the Curies provided the tools and techniques needed to apply and build scientific appliances and equipment to mass produce goods and services which ultimately resulted in installing a capitalistic model of a way of life, which has almost fully replaced the agrarian mode of day-to-day life in the period prior to the 1750's. The drastic change in the approach to life that has been witnessed in the last several decades, especially after the 1950's has made the earth an extremely vulnerable planet indeed. In current USD, the world GDP in 2014 was close to 77 trillion. Of this the agriculture, at less than 2 %, would contribute 1.5 trillion. Barring India and China, where still a significant percentage of the population is engaged in agriculture, most other countries do not have agrarian activities to any mentionable extent. This dramatic change in the working and living lifestyles of large populations has led to some serious consequences for the world as a whole. And this is where CSR comes in.

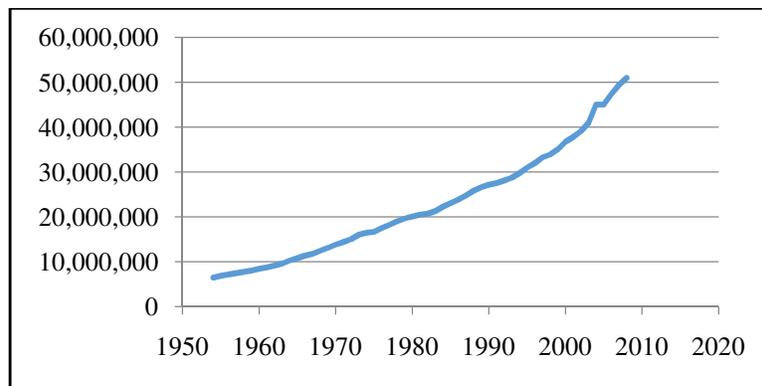


Figure 2: World GDP ( in million 1990 International Geary- Khamis dollars)  
(Source: <http://knoema.com/nwnfkne/world-gdp-ranking-2015-data-and-charts>)



Figure 3: Components of GDP ( sectoral ) of India  
( Source : <http://statisticstimes.com/economy/sectorwise-gdp-contribution-of-india.php> )

### 1.2. Rising Dominance of Business in Day to Day Life

Beginning 1950's the contribution of agriculture has continuously fallen, replaced by industry. Since the 1970's another sector has risen up – the services sector. This is really a subset of industry sector, since it uses the goods put out by the industry and agriculture to

process, package and sell to consumers. This sector has now become almost 65 % of the total GDP, pushing its supplier to the second place – at about 33 %. The balance 2 % or less is contributed by agriculture and this figure is likely to go even further down. (see figures 2 and 3). What it all boils down to is that the vast majority of humankind will be dependent on industry as a source of day to day sustainability. However, the percentage of population involved in agriculture has not fallen that sharply. According to the World Fact book it was estimated that in 2009: (see Table 1)

| Sector      | Percentage of workforce engaged in |
|-------------|------------------------------------|
| Agriculture | 34.7                               |
| Industry    | 22.4                               |
| Services    | 42.9                               |

Table 1: Percentage of labour force engaged in various sectors (Source: The World Fact book published by the CIA and accessed from the website <https://www.cia.gov/library/publications/the-world-factbook/fields/2048.html> on 19 11 2015)

Great American thinkers like Adam Smith wrote about the wealth of nations, followed by engineers like Frederick Taylor who wrote about time and motion study. Henry Ford used both these writers in building his empire, by creating a behemoth in Michigan. Numerous others have followed in his footsteps and the inexorable advancement of machines over man has been chronicled in many works. Rockefeller, Vanderbilt, Dale Carnegie, Edison, Graham Bell, Daimler Benz, Robert Bosch, Birla, Toyota, and, lately, Michael Dell, Steve Jobs, Richard Branson, Mark Zuckerberg, and a whole lot more have driven increasingly more nails into the coffin of agriculture, transforming a laid back, land based lifestyle to a jet setting, car driving, laptop mobile, fastrack (a brand of spectacles and accessories of Titan, India) lifestyle which has left a lot of us gasping for breath.

Inevitably excesses have happened and now we are seeing the results of irresponsible, competition driven, business for profit (and nothing else) growth for the sake of growth era where man has become a commodity, and in many advanced countries of the west, the primary person who is working against his fellow man often belongs to the business world. Take, for example, cost reduction, which is a favourite theme of any management. And the first thing that comes to mind in the western business world is trimming the workforce. This is achieved through automation, consolidation of operations, improving efficiency leading to redundancies, layoffs, massive cuts in workforce at the lower levels. So, while industry leads to jobs, the same can take away these also. If one superimposes the ill effects of industrial pollution, wastage in materials, usage of irreplaceable fossil fuels, the carbon footprint and its disastrous long term consequences, the greenhouse gas effect, then there is a strong case for integrating industrial activity into the day-to-day life of its chief stakeholder – the consumer.

### 1.3. Consumer – the only Stakeholder

In fact, the only stakeholder who the industry is responsible for is the consumer – as every other stakeholder will fold into this bucket in one way or the other. For example, the employees in one company are consumers for some other companies. Thus all employees in all companies are also consumers. Even those who are not employed in companies, such as, self-employed, are also consumers. Similarly, a customer is a subset of the larger set “consumer”. Thus the stakeholder called “consumer” encompasses all others. This is the first truth to be understood by all companies. And if this is done CSR becomes the *raison de etre* for a company’s activities. A consumer, while using a company’s goods and services is also a citizen of the world, who is dependent on the earth’s resources and environment to sustain, survive, live and achieve self-realisation.

Every company must therefore realise that serving the consumer is serving the society and vice versa. A consumer must be perceived in the larger context of the social milieu. For example, take the case of a consumer buying a car. He will drive it to work or for other purposes, and in the process, get involved in the various ways in which the car affects the world and the environment around it. He would like to minimise emissions, get the maximum mileage to conserve fossil fuels, drive a car which has features which can prevent harm to others (be accident free). A car manufacturer while serving such a consumer has to address all these aspects of the situation which the company is putting the consumer into. If the company is only driving efficiency or profit, then some of these aspects will get low or no priority. For example, to ensure the maximum pleasure for the driver, the car company may want to build big cars with big engines – thereby increasing the use of fuel per mile and emissions per kilometre.

### 1.4. The “royal age” of CSR

Before embarking further upon the consumer as the only stakeholder let us take a look at the historical evolution of the “consumer”. In the days of yore, which is to say, prior to the industrial age which began somewhere around 1770, most societies were ruled by kings. In such kingdoms the kings were the only source of authority and succour as well as protection and sustenance for the populations under their influence. There was no organised form of output making as in modern times. Individuals plied their trade, government ministers and other government authority figures wielded power and they took care of their subjects. Businessmen used to be largely merchants engaged in trade of commodities, auctioning of goods, buying and selling using barter systems and so on. Intellectuals were mainly in the service of the king and were patronised by them. Common people were engaged in tilling the land, arts and crafts work like pottery, smithy etc.

Kosambi (1963), in his study of ancient India, points out that many kings were involved with the community to take care of their welfare needs. Ross Kelley (2012) gives an account of the various emperors and dynasties which have ruled India in the ancient past. Similarly, the role played by kings in ancient India has been chronicled by the History Files (available through the website <http://www.historyfiles.co.uk/KingListsFarEast/IndiaStates.htm> on 20 11 2015 at 6 PM). In her article on the “History of the three

kingdoms of South India “(accessed from the website <http://www.historydiscussion.net/history-of-india/history-of-some-ancient-kingdoms-of-south-india/2527> on 20 11 2015 at 720 PM)Priyadarshini chronicles the rule of the Chera, Chozha and Pandian kings in the days of yore. The story of Chandragupta Maurya and Ashoka illustrate the role played by ancient Indian kings in society. They were responsible for “providing irrigational facilities, succour, sanitation, and famine relief to its masses. Megasthenes, in his writings, has praised the efficient Mauryan administration.”(quoted from the website <http://historyofindia-madhunimkar.blogspot.in/2009/09/kingdom-of-maurya.html>, accessed on 24 November 2015 at 115 PM). The same is said of Ashoka the Great “Ashoka, like previous Mauryan kings, was at the head of the centralized administrative system. He was helped by a council of ministers that was in charge of different ministries like taxation, army, agriculture, justice, etc. The empire was divided into administrative zones, each one having its hierarchy of officials. The top most officers at the zonal level had to keep in touch with the king. These officers took care of all aspects of administration (social welfare, economy, law and order, military) in the different zones. The official ladder went down to the village level. “(opcit).In his Arthashastra, Kautilya (alias Chanakya) laid down the rules for Indian kings to follow (see the website:[https://archive.org/details/Arthashastra\\_English\\_Translation](https://archive.org/details/Arthashastra_English_Translation)accessed on 24 November 2015 at 120 PM).For example, he said, “the king was the supreme head of the state. His duty was mainly ensuring the welfare and happiness of his subjects. He was to work almost 18-19 hours a day and was to be at the service of his people, courtiers, and officers any time of the hour. The country prospered during Mauryan rule. “(quoted from the website <http://historyofindia-madhunimkar.blogspot.in/2009/09/kingdom-of-maurya.html>, accessed on 24 November 2015 at 125 PM).“The king shall provide the orphans, (bála), the aged, the infirm, the afflicted, and the helpless with maintenance. He shall also provide subsistence to helpless women when they are carrying and also to the children they give birth to “. (Shamashastry, 1915, English translation of Arthashastra).In his accounts of his travels in India, in the court of Harshavardhana in the 630’sAD Hieun Tsang, the Chinese Buddhist monk, has recorded that the king was personally responsible for the welfare of his subjects. He discharged this responsibility fully and exhaustively.(from the website <http://vandemataram.com/www/vindex.jsp?sno=106> accessed on 24 November 2015 at 210 pm). There is a whole lot of other evidence too for the role played by kings in India and other lands in the welfare activities of their subjects.

In such a milieu the king was the primary source of CSR and all welfare and governance work was vested in him.Kings discharged these responsibilities using a group of ministers appointed by them, supported by the military. Taxes were collected, grains were procured, stored and distributed and in case of any emergency the king was looked upon to provide relief and help. There are many accounts of kings like Ashoka, the Guptas, the Mauryas, the Cholas, the Cheras, the Pandiyas, Krishna Deva Raaya, many sultans, Akbar, Jehangir and others who ruled India in the past involved themselves in CSR activities.

Over the years this arrangement continued uninterrupted till the time of the industrial revolution. With the advent of developments after 1770 things changed. Kings were slowly but inexorably replaced by democratically elected governments. The king was stripped of all his powers with the emergence of the modern nation-state. Growth of such nations was mainly through economic activities powered by industry. To begin with such activities were more individual driven, merely replacing the hand made goods with machine made goods, this had a volume effect as well as a consistency and quality effect. Increasingly many such individuals became monied lords and started investing their monies in other ventures as well as expanding their scale, scope and locations of their operations. The money was changing hands from kings to these newly minted “business kings “. The only difference was that the business kings were not authorised to govern and those who governed did not have enough money to attend to the social needs of the population. More importantly the newly elected governments could not replace the kings in terms of emotional connect with the subjects. Whereas kings were, by practice and traditions, looked upon with reverence and hope, those manning the new government departments were “mere mortals “, or “one of us “, with no halo effect to go with, nor social legitimacy.

### 1.5. CSR in Transition

While the newly elected governments started to work like kings of yore, role clarity was still emerging. For example, while the government was expected to save people in times of natural and other disasters, not many were willing to strengthen the governments hands with taxes. Capitalists in the west always have had an “anti – tax “attitude, a dislike to part with one’s money for the public good. However, over time, an equilibrium has been achieved and tax rates of around 15 to 40 % have been accepted in different countries, largely based on the degree of involvement of the state government in the welfare of the public. For example, in the UK medical care is entirely taken care of by the government, whereas in other European countries something similar is done. In the USA state insurance covers some amount of medical care while specialist, more expensive medical treatments have to be covered by citizens through separate, individually funded policies. Government servants receive pensions in some countries.

Thus between 1750 and 1950 the entire mechanism of countries being ruled by kings was replaced progressively by “welfare states”. This brought about a huge ambiguity in terms of who the common man will go to in case of emergencies. Whereas kings had a personal equation with many of their subjects, the modern common man has to deal with the law and legal ways of doing things, very often with impersonal, unsympathetic officials with vested interests in many cases. It took almost three centuries or more to replace one social order with another. This replacement forms the basis for the new relevance of CSR activities to a new owner – the corporate sector (see Table 2).

| Early History               | BC to 1000 AD  | 1000 AD +  | 1750 AD +   | 1900 AD +   | 1950 AD +   |
|-----------------------------|--|--|---|---|---|
| Human life evolving         | Many clusters of human habitation. Kings in many clusters. | Many large kingdoms (e.g. China, Japan, Britain, Indian states). Kings in power. | No newer kings. Start of new nation states with democratically elected governments. | Kings in terminal decline. CSR activities ownerless. Money in the hands of corporates and governments | Kings gone. Nation States with many having democratically elected governments. Era of billionaires, philanthropists |
| <b>The Royal Era of CSR</b> |  |  |   | <b>CSR Ownerless</b>  |   |

Table 2: The CSR ownership transition

### 1.6. Development of an Industrial Society and the Case for CSR by the Corporate Sector

It was really Henry Ford who kicked off mass production with the assembly line in the Highland Park, Michigan plant of the Ford Motor company in December of 1913. He followed up this with the fully integrated steel and automobile operations in the Rouge River plant in Dearborn, Michigan some nine years later. These two seminal events in industrial history were precursors to much of what was to follow – mass production, high wages, huge plants manufacturing goods in large volumes using a high degree of automation – all these leading to immense wealth creation, unknown in the days of yore. Whereas in the past only kings had access to such wealth, now the businessman surpassed the king in wealth by a wide margin, with a critical difference – he was not responsible for CSR.

This was the first time in the history of mankind that a few individuals could gather large chunks of money through their enterprise, without any reference to the common man. If anything the common man was employed to generate this wealth. Since the time of Henry Ford the world has seen the rise of many like Ray Kroc, Bill Gates, Hewlett and Packard, Ajay Piramal, Shashi and Ravi Ruia, the Ambani brothers Mukesh and Anil, Warren Buffet, Gottlieb Daimler and KarlBenz, the Krupps, Jeff Bezos, Sam Walton, and others who have created wealth well beyond the imagination of any king that ruled previously.

The lot of the common man has also improved in many countries. However, the wealth gap between the haves and the have-nots has grown every year. For example, in a report prepared by the BBC and released on May 21, 2015, it is mentioned that “The gap between the rich and the poor keeps widening, the Organisation for Economic Cooperation and Development (OECD) says. In its 34 member states, the richest 10% of the population earn 9.6 times the income of the poorest 10%.” (accessed from the website <http://www.bbc.com/news/business-32824770> on 20 11 2015 at 205 PM). According to another report, the wealth disparity between upper and middle income Americans has hit a record high, according to a new Pew Research Centre Report. On average, today’s upper-income families are almost seven times wealthier than middle-income ones, compared to 3.4 times wealthier in 1984. When compared to lower income family wealth, upper income family wealth is 70 times larger. (accessed from website <http://thinkprogress.org/economy/2014/12/18/3605137/us-wealth-gap-at-its-widest-in-decades/> on 20 11 2015 at 245 PM). Combined with the fact that there is a large population that lives below the poverty line, it is evident that the common man has become an orphan when it comes to support from the society against hunger and the elements.

This then is the current scenario where the demise of kings / royalty as a bulwark against poverty and penury has not been filled by the government of the day. While many governments are trying to rise upto the occasion and fill the void many more are struggling. In the backdrop of the extreme development in some countries, the extreme levels of disparities between the facilities enjoyed by populations in different countries and the easy spread of this knowledge through the media of TV, FB, Twitter and the internet, there is considerable unrest and dissatisfaction amongst large chunks of people in various parts of the globe who are feeling powerless and envious of the riches of the few. The rise of terrorism is not in a small measure due to this perception of “injustice”. Whatever the reasons may be, and these are many, there is a vacuum left by the kings of yore and that has to be filled up by the section of society which is responsible for the accentuation of the gap and thereby the ill feelings. This is the corporate sector in every country.

### 1.7. The Drivers for CSR

Having established that the consumer is the only stakeholder who should be the focus of CSR activities by the corporate sector we will now look at the drivers which provide a basis for CSR.

### 1.8. CSR in Enlightened Self Interest

The first, and perhaps the most important one, is that CSR is in the enlightened self-interest of the business community. Businesses feed from the consumer and the consumer is but the society at large. No doubt there are subsets within the larger consumer community as a whole which could and should be addressed by individual businesses, but, at the aggregate level, businesses must address the consumers for their own sustained growth and long term business viability. A weak and poor population cannot consume; it cannot pay for what it consumes. Hence CSR activities must be addressed to enable such populations to improve their mental wellbeing, health and hygiene. How this can be done is a matter of detail but there is a need to do this and a good one at that.

### 1.9. CSR is a way to Gain Goodwill

Second, CSR enables the spread of goodwill about business amongst communities. Such goodwill is in the larger interest. Gandhiji was successful because he had gathered the goodwill of the people around him. Similarly, President Harry Truman has not been vilified in history even though he committed the worst type of horror by dropping the atom bombs because America had gathered the

goodwill of the international community. In fact, corporate law recognises goodwill as the difference between the assets and liabilities, and a deficit in goodwill indicates that the liabilities are more than the assets. Goodwill can lead to loyalty and demand for a company's products. It can influence public opinion, as witnessed in the case of the terrorist attacks in the French capital Paris in November 2015. Goodwill of the employees, who resorted to agitation and a signature campaign, ensured that the government of India could not take over and nationalise the assets of Tata Steel company.

#### 1.10. CSR and the Actions for Public Good

Third, CSR leads to companies undertaking socially acceptable, desirable and environmentally friendly actions which otherwise may not find support in boardrooms. The creation of a socially acceptable framework with the attendant legal and tax aspects addressed will make a strong path for companies to take actions. For example, when Exxon had to clean up the oil spill, it was going to cost the company a huge amount of expenditure, and the board may not have allowed such expenditure. However, the CSR view prevailed and the company spent the time, money and efforts to clean up the oil spill which enabled the prevention of an ecological disaster. While many companies may want to engage in CSR a social and corporate sanction is a welcome impetus that can hasten and speed up execution. After all money has to be spent on the activities and this needs approval at different levels and of different kinds in companies. Creating an atmosphere where the corporate sector as a whole adopts a friendly attitude to CSR is important.

#### 1.11. CSR Generates New Business Opportunities

Fourth, CSR leads to new business opportunities. For example, nowadays many equipment is manufactured with built-in low emission devices which prevent pollution. This is especially true in the auto, diesel engine, shipping industries. Airlines and automobiles are in search of lighter materials to reduce fuel consumption. The Indian government's current drive to substantially increase the solar – the so-called "suryaputra" countries, a term coined by the PM Narendra Modi in his Wembley talk in the UK in November 2015 – power is a step in the right direction. Other industries which have been given an impetus by the CSR is the NGO industry, which is a cost effective, manpower inclusive, people friendly way of doing CSR, wind energy usage, hydrogen fuel cells, LED bulbs, development of catalysts for emission control and so on. All these industries will grow substantially in the near future and are likely to have a serious, positive impact on the TBL.

CK Prahlad (2006) wrote about the fortune at the bottom of the pyramid, and the CSR is a great way to address the needs of the lower rungs of the pyramid. In fact, a different set of parameters may have to be developed to market to these segments if one looks at the Maslow theory and the pyramid, as shown in Figure 4:

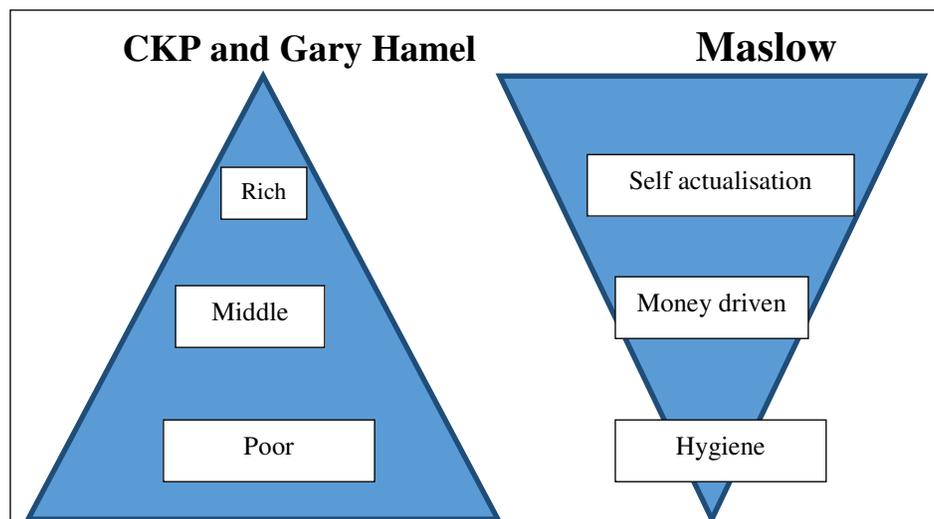


Figure 4: CK Prahlad, and the Maslow theory of hierarchy of needs and their correspondence to the needs and social status

CSR activities address the "poor" and their hygiene needs, which will then prepare this section of society to rise up in the hierarchy of needs, thereby creating new markets, albeit at lower volumes and prices, to begin with. However, over time the situation will improve and the CSR would have served the purpose.

#### 1.12. CSR Enriches Society as a Whole

CSR activities create opportunities for many jobs at low pay levels, and thus well suited for mass employment campaigns. Such mass employment will, in the long run, lead to enriched jobs and gainful employment for newly emerging and advancing segments of the society which would otherwise have remained unaddressed and dissatisfied. As in the case of Quality Circles (see, for example, Ishikawa 2006, Hitoshi Kume, 2005 and Katsuya Hotosani, 2005) such CSR efforts keep people occupied with doing something worthwhile and useful, instead of gossip and destructive acts like strikes and hartals. Enrichment happens in two dimensions – in the material, through employment, and in the spiritual through self-development and self-knowledge. This is a positive contribution to the society and should lead to beneficial effects like higher productivity, higher purchasing power and higher volume of purchases.

### 1.13. CSR – The Way Forward for the Indian Corporate Sector

Having established that CSR is a must for all companies we think that Indian companies should wholeheartedly embrace opportunities to adopt CSR movements in their organisations. The world over, there are many companies who have been involved in such activities well before the concept became fashionable and several studies have been done to chronicle these efforts.

Porter and Kramer (2002) have examined the issue of corporate philanthropy and conclude that a company must select those activities which give the maximum boost to productivity. This is because companies are often caught between the short term results demanded by shareholders and the long term nature of CSR activities making “giving “more strategic.CSR efforts are ‘so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit the society’ (Porter and Kramer, 2006). The authors advocate that companies must select CSR initiatives which make strategic sense for them. They then go on to develop a framework for doing so. More importantly they posit that CSR activities can help build companies a sustainable link with the society. Companies should not look at CSR activities as a “cost “but as a connector with the society at large, with beneficial effects for both – companies and the society. Giovanna Michelin et al(2013) also support this view. Simon Zadek (2006) opines that companies do not become CSR citizens overnight, it takes a lot of time and efforts to find the “optimal “path to doCSR. He has proposed a five stage model for corporate CSR, through which companies will have to go through before attaining a level of maturity – defensive, compliant, managerial, strategic and civil. Ida Berger et al (2007) have described efforts by companies to drive CSR activities based on a concept of market price vs quantity of CSR, which is a simple way of selecting CSR activities based on market perceptions about the company. They then go on to develop a “mainstreaming “methodology by which companies can integrate CSR with their strategy and markets. LuoXueming and ShuiliDu (2007), after studying more than 100 companies for their CSR initiatives report that “good” companies (i.e., those that are committed to CSR and undertake work in this area) introduce more products than those who do not. This is a significant conclusion and supports the idea that CSR makes business sense. Anticipating that companies would look at CSR from the cost – benefit point of view, Jeffrey Sprinkle and Lauren Maines (2010) provide an analytical basis for calculating such costs and benefits. Kasturi Rangan et al (2010) propose a three theatre model for CSR – focusing on philanthropy, improving operational effectiveness and transforming the business model. This proposal has emerged from their view that many companies are doing too many things in CSR without understanding the possible impact of these activities. If understood well these activities can have immense business benefits and enable sustained business. Such is the impact of CSR in companies work that Clayton Christensen et al (2006) have proposed that one must identify and develop disruptive practices through CSR to make social change happen. This is a pro-active approach which makes CSR an innovative and exciting field of work.

Indian corporate sector has not lagged behind in CSR, at least many of the organised sector companies and groups of companies. In India one of best known corporate groups for CSR is the Tata Group. Under the Tata Business Excellence Model (TBEM) introduced by the erstwhile Chairman Mr R.N. Tata the group companies systematised their CSR engagements and aligned them with their corporate strategies. Studies by Oana Branzei (2010), Garima Sharma and David G Hyatt (2013), Kathryn Hughes, Jean-Francois Manzoni and Vikas Tibrewala (2014) describe some of the work done by the group.

One such company, which the author believes is the best in the world for such activities is Tata Steel. This company, being the “jewel in the crown “of the Tata Group adopted the principles enunciated by the founder Jamshedji Tata right from inception. The construction of the plant which was started in 1907 was completed in 1911. The CSR events which were taken up and implemented are described in the book by R.M. Lala. Over the years the company has kept a steady pace in developing CSR activities in keeping with its vision and mission. A systematic framework for CSR was developed as a part of the response to the Tata Business Excellence Model requirements, beginning 1992. While the company was doing many things right from its inception, as shown in the Table 3:

| Welfare Measures   | Tata Steel | Enforced by Law                        |
|--|------------|--|
| Eight hour working day   | 1912       | 1948 Factory act                       |
| Free Medical aid   | 1915       | 1948 Employee state ins. Act           |
| Est. of welfare dept.  | 1917       | 1948 Factory act                       |
| School facilities  | 1917       |  |
| Works committee  | 1919       | 1947 I.D. act                          |
| Leave with pay   | 1920       | 1948 Factory act                       |
| Worker’s provident fund  | 1920       | 1952 Employee P.F. act                 |
| Workers accident compensation scheme                                 | 1920       | 1923 Workers compensation act          |
| Tech. Institute for training apprentices, craftsman, Engg. Graduates | 1921       | 1961 Apprentices act                   |
| Maternity benefit  | 1928       | 1946 Bihar M/B act                     |
| Profit sharing bonus   | 1934       | 1965 Payment of bonus act              |
| Retiring gratuity  | 1937       | 1972 Payment of gratuity act           |
| Ex-gratia payment road accident on going / coming from duty          | 1979       |  |
| Pension Scheme   | 1983       | 2% Employee and Company’s contribution |
| Medical Separation Scheme  | 1995       |  |
| Get together with retiring employees                                 | 2000       |  |
| Family Benefit Scheme  | 2001       |  |

Table 3: CSR activities in Tata Steel since inception (Source: Jayaraman R, 2013)

the same was systematised, expanded, improved upon continuously with new practices being brought in through in-company innovations and external, world class benchmarking efforts. In the 2005 TBEM report the following results on CSR were presented (Figures 5 to 10):

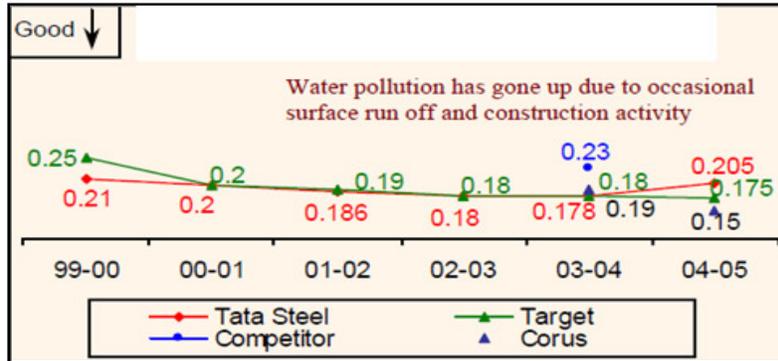


Figure 5: Water pollution (solids Kgs/t of crude steel)

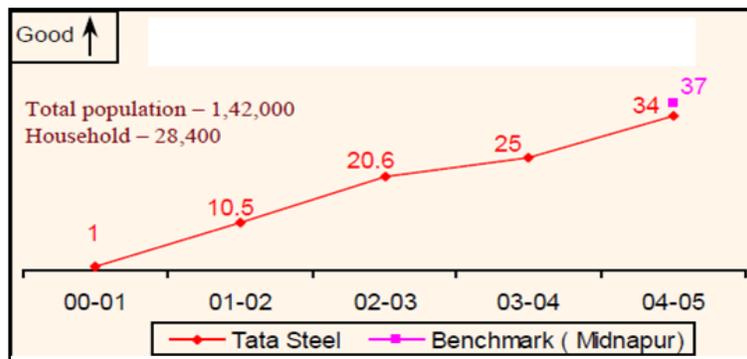


Figure 6: Percentage of sanitation coverage

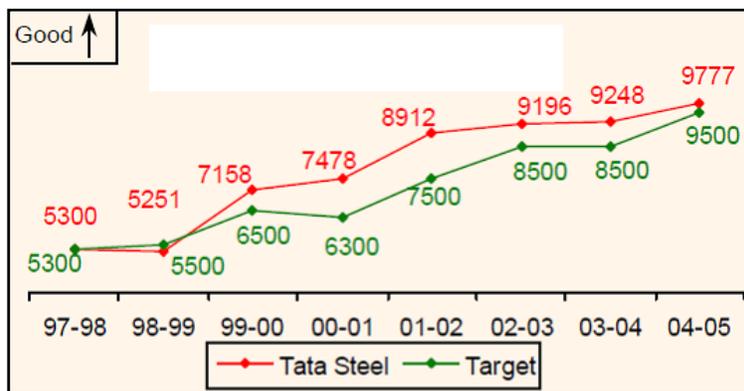


Figure 7: Family Planning – number of couples protected

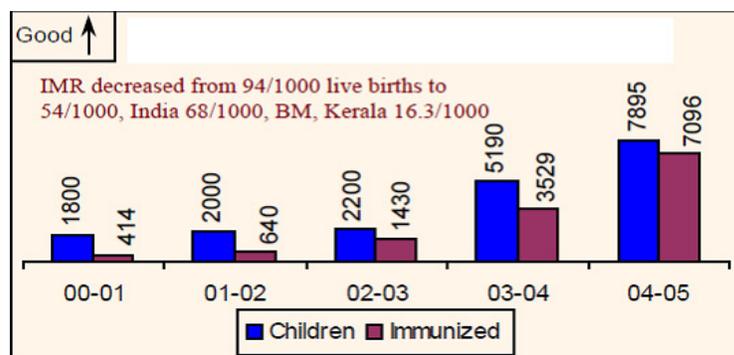


Figure 8: Number of children immunised ( upto 2 years )

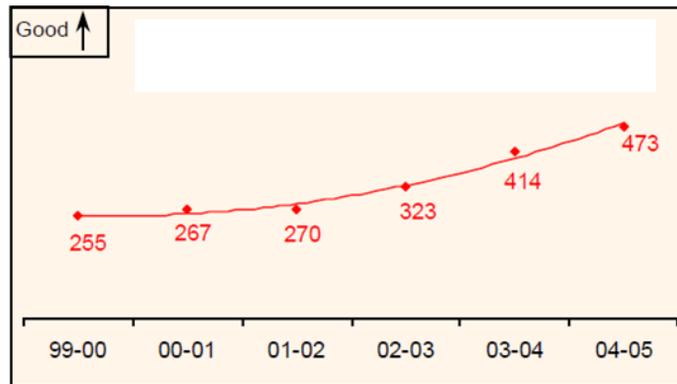


Figure 9: Capital expenditure on pollution control equipment ( Rs Crores )

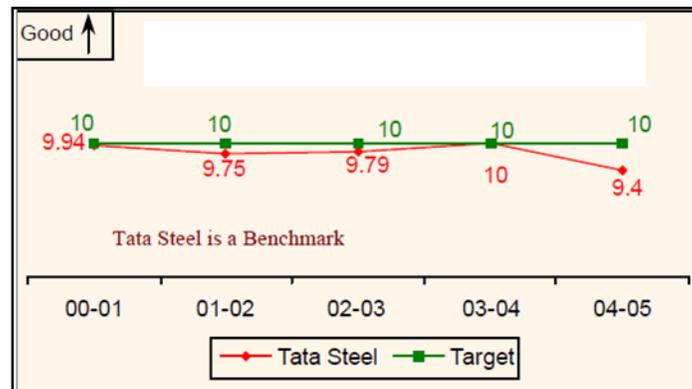


Figure 10: Corporate Citizenship Index ( on a 10 point scale )

Over the years the company has remained true to the vision of its founder and continues to expand on its coverage of constituents in the CSR ambit. The fact that the company considers CSR as a core and integrated business activity is evidenced by the figure 11:

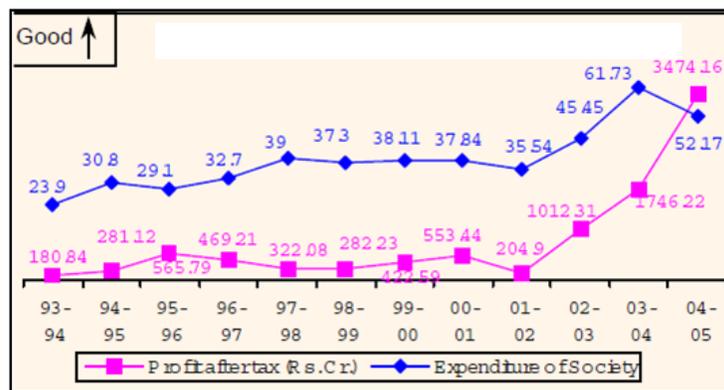


Figure 11: Tata Steel's commitment to CSR

Another company with which the author was involved and which started CSR from scratch was VSNL, which later was renamed as Tata Communications. At the time the Tata Group acquired VSNL it was the country's largest telecom player, being a navaratna company to boot. From day one the then Chairman Mr R.N. Tata was clear that the TBEM must be implemented, so that the company can live upto the high standards of the Tata Group. he insisted that the company must design and implement a CSR program as a part of this effort to create and strengthen its brand. Thus began a journey in the year 2003. Some of the highlights are shown in the figure15:

| Corporate Social Objective    | Program                       | Measure   | Unit  | Target          | Actual          |
|-------------------------------|-------------------------------|---|---|-----------------|-----------------|
| Corporate Philanthropy        | Assistance to hospitals       | Ambulance and medicines to NGO's, Blood Donation , Eye Donation , financial help to schools         | Amount spent ( Rs)                          | 302,000         | 302,000         |
| Community Service             | Disaster relief               | Providing and restoring of communication links  | % restored within 24 hours                  | 50              | 50              |
|                               | Public service                | Modernisation of police station at Fountain , Mumbai and advertisements on social upliftment themes | Date of completion                          | 400,000         | 400,000         |
|                               |                               | Training to students from colleges  | Number of students trained                  | 20              | 20              |
|                               |                               | Installation of bus shelters  | Number of Bus Shelters installed            | 480,000         | 480,000         |
| Legal compliance              |                               | Timely payment of taxes   | Compliance %                                | 100             | 100             |
|                               |                               | Number of investor grievances received and resolved   | Compliance %                                | 100             | 100             |
|                               |                               | Number of cases pending against the company for breach of trust and criminal conduct                | Number of cases                             | 3               | 3               |
| Product / service stewardship |                               | Waste utilisation   | Recycling ratio                             | 50              | 50              |
|                               |                               | Use of environmentally friendly products  | Number of products                          | 3               | 3               |
| Sustainable human development | Child education               | Volunteers to teach children  | Number of volunteers involved in the effort | 100             | 100             |
|                               |                               |   | Total hours of volunteer efforts            | 200             | 200             |
|                               | Assistance to weaker sections | Training of women from economically weaker sections   | Amount spent ( Rs)                          | 360,000         | 360,000         |
|                               |                               | Supplying books and stationeries to economically backward   | Amount spent ( Rs)                          | 135,000         | 135,000         |
|                               |                               | Teaching of trades to weaker sections for their self employment                                     | Amount spent ( Rs)                          | 360,000         | 360,000         |
|                               |                               | Reducing child mortality  | Amount spent ( Rs)                          | 100,000         | 100,000         |
|                               | Environmental development     | Maintenance of parks  | Amount spent ( Rs)                          | 540,000         | 540,000         |
|                               |                               | Obtain ISO 14001 certification by   | Date of certification                       | 31 march , 2005 | 31 march , 2005 |
|                               |                               | <b>Corporate Citizenship Index</b>  |   |                 |                 |

Figure 12: Corporate Citizenship Index for the year 2004 -2005 ( Source : TBEM application )

As can be seen even though the company had started on the journey a year back (in 2003), the results are quite encouraging. Over the years the company has stayed the course, in line with the Tata Group vision. Some other companies are also very active in the CSR space, and these include: BHEL, Tata Chemicals, Bharat Electronics, Birla Cellulosic, ITC.

## 2. Conclusion

CSR is an imperative whose time has come. The onus is on the corporate sector. There are at least six good reasons why they should engage in CSR. A void has been created in CSR due to the massive effect of creating an industrial society from an agrarian one. This is still playing itself out. The corporate sector and the government sector, which have replaced the kings, have yet to come to terms on deciding how to address. Several practices have been tried out and many of these are successful. However, there is a huge scope for further work, as the current response has not even scraped the surface. Corporate involvement in CSR should be stepped up in the coming years and India can provide leadership in this area. It is felt that the Indian government and the corporate sector will rise upto the occasion.

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